

166300

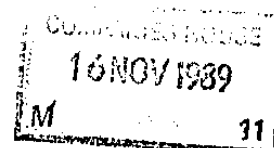
MUTUAL MILLS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED

25 MARCH 1989

PEAT MARWICK McLINTOCK
City Square House 7 Wellington Street
LEEDS LS1 4DW



MUTUAL MILLS LIMITED

DIRECTORS' REPORT

The directors present their sixty-seventh annual report and the audited accounts for the year ended 25 March 1989.

PRINCIPAL ACTIVITIES

The principal activity of the company has continued to be the spinning of natural and man-made fibres.

BUSINESS REVIEW

The start of the financial year coincided with the first national strike, called by the trade unions in support of their annual pay claim, for over 40 years. The adverse effect of this action, together with changes in buying patterns brought about by the credit squeeze and the inflated value of sterling resulted in a number of plants being under utilised with consequent adverse effects on production and profitability. Some of the business lost cannot be recovered and attempts to find alternative outlets for new products have proved extremely difficult because of the pressure from low cost imports of yarns, fabrics and garments. The position continues to be monitored closely and management decisions taken accordingly.

TAX STATUS

The directors are of the opinion that the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

FORMAT OF ACCOUNTS

In accordance with section 229 Companies Act 1985, group accounts have not been prepared as the company is a wholly owned subsidiary of another body corporate incorporated in Great Britain. In the opinion of the directors the aggregate value of the assets of the company consisting of shares in, and amounts owing from, the company's subsidiaries is not less than the aggregate of the amounts at which those assets are included in the company's balance sheet.

PROPOSED DIVIDEND

The directors recommend the payment of a dividend of £70,000 for the year ended 25 March 1989 (1988: £326,000).

PROPOSED TRANSFER FROM RESERVES

The directors propose to transfer £15,809 from reserves being the loss for the year after tax and dividends (1988: £31,024).

MUTUAL MILLS LIMITED

DIRECTORS' REPORT
(continued)

LAND AND BUILDINGS

The company's freehold land and buildings were revalued at 31 March 1979, on the basis of open market value for existing use which resulted in a revaluation surplus of £510,959. Subsequent additions have been included in fixed assets at cost.

The directors are of the opinion that there is no significant difference between the present market value of land and buildings and the amounts at which they are stated in the accounts.

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company during the year were:

Mr D Babbs
Mr H F Openshaw
Mr M Jones
Mr D Oxley
Mr M H E Dracup (appointed 27 May 1988)

Mr D Babbs was granted options of 19,600 ordinary shares in Lister & Co plc on 8 February 1988. Options may be exercised between February 1991 and 1998 at a price of £1.39.

Mr M H E Dracup is a director of the ultimate holding company, Lister & Co plc and is not required to notify this company of his interests in the shares of that company.

No other director had any interest in the shares of either Mutual Mills Limited or the parent company at any time during the year.

Mr D Babbs retires by rotation and, being eligible, offers himself for re-election.

Mr M H E Dracup having been appointed since the last annual general meeting retires and, being eligible, offers himself for re-election.

EMPLOYEES

Although no formal reporting procedures have been established by the Company, regular contact between senior management and union representatives is maintained in order to keep employees informed of the Company's ongoing situation and future prospects.

It is company policy, when recruiting, to consider each vacancy as to its suitability for a disabled person. Regular contact is maintained with local Disablement Resettlement Officers to ensure that people with the necessary skills are given every consideration for employment.

Whilst promotion and career development opportunities are open to all employees, special attention is given to the needs of the disabled, or those employees who become disabled, to facilitate their continued employment within the company.

MUTUAL MILLS LIMITED

DIRECTORS' REPORT
(continued)

AUDITORS

A resolution to reappoint the auditors, Peat Marwick McLintock, will be proposed at the forthcoming annual general meeting.

By order of the board

H. F. Openshaw

H F Openshaw

Secretary

Aspinall Street
Heywood

3 July 1989

Peat Marwick McLintock

REPORT OF THE AUDITORS TO THE MEMBERS OF

MUTUAL MILLS LIMITED

We have audited the accounts on pages 5 to 15 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 25 March 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Peat Marwick McLintock

PEAT MARWICK McLINTOCK

Chartered Accountants

City Square House
7 Wellington Street
Leeds
LS1 4DW

3 July 1989

MUTUAL MILLS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 25 MARCH 1989

	<u>Note</u>	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
TURNOVER	2	7,649,794	9,368,149
Cost of sales		<u>(6,906,554)</u>	<u>(8,144,851)</u>
GROSS PROFIT		743,240	1,223,298
Distribution costs		(279,263)	(280,119)
Administrative expenses		(280,955)	(263,234)
Income from other fixed asset investments		51,458	1,458
Interest payable and similar charges	4	(249,735)	(221,759)
Profit on property disposal		<u>5,566</u>	<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(9,689)	459,644
Tax on (loss)/profit on ordinary activities	7	<u>63,880</u>	<u>(164,668)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		54,191	294,976
Proposed dividend		<u>(70,000)</u>	<u>(326,000)</u>
RETAINED LOSS FOR THE FINANCIAL YEAR	17	<u>(15,809)</u>	<u>(31,024)</u>

MUTUAL MILLS LIMITEDBALANCE SHEET AT 25 MARCH 1989

	<u>Note</u>	<u>1989</u>	<u>1988</u>
		£	£
FIXED ASSETS			
Tangible assets	8	1,871,381	1,409,125
Investments	9	<u>34,080</u>	<u>34,080</u>
		1,905,461	1,443,205
CURRENT ASSETS			
Stocks	10	1,472,418	1,404,447
Debtors	11	1,775,123	1,767,168
Cash and bank		<u>-</u>	<u>420,427</u>
		3,247,541	3,592,042
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	12	<u>(3,774,474)</u>	<u>(3,816,875)</u>
NET CURRENT LIABILITIES			
		<u>(526,933)</u>	<u>(224,833)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,378,528	1,218,372
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	13	(178,652)	(2,958)
DEFERRED INCOME			
	14	<u>(271)</u>	<u>-</u>
NET ASSETS			
		<u>1,199,605</u>	<u>1,215,414</u>
CAPITAL AND RESERVES			
Called up share capital	16	450,000	450,000
Revaluation reserve	17	353,538	361,710
Profit and loss account	17	<u>396,067</u>	<u>403,704</u>
		<u>1,199,605</u>	<u>1,215,414</u>

These accounts were approved by
the board of directors on 3 July 1989

D Babbs)
) Directors
H F Openshaw)

D. Babbs
H. F. Openshaw

The notes on pages 8 to 15 form part of these accounts.

MUTUAL MILLS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 25 MARCH 1989

	£	1989	£	1988	£
SOURCE OF FUNDS					
(Loss)/profit on ordinary activities before taxation			(9,689)		459,644
Adjustments for items not involving the movement of funds:					
Depreciation and amortisation	182,266			189,456	
Grant amortisation	(51)				
(Surplus)/deficit on sale of tangible fixed assets	(5,786)			9	
		176,429			189,465
		166,740			649,109
FUNDS FROM OTHER SOURCES					
Proceeds of sale of tangible fixed assets			11,266		2,635
Increase in creditors: amounts falling due after more than one year			175,694		-
		353,700			651,744
APPLICATION OF FUNDS					
Purchase of fixed assets	640,845			318,438	
Transfer of fixed assets	8,835			5,487	
Dividend paid	326,000			180,000	
Payments for group relief surrendered	100,788			226,513	
Decrease in creditors: amounts falling due after more than one year	-			20,622	
		(1,076,468)			(751,060)
DECREASE IN WORKING CAPITAL		(722,768)			(99,316)
		=====			=====
Stocks		67,971			194,387
Debtors		7,955			235,856
Creditors falling due within one year		(903)			(1,330,056)
Movement in net liquid funds:					
(Increase)/Decrease in overdraft	(377,364)			380,070	
(Decrease)/Increase in cash	(420,427)			420,427	
		(797,791)			800,497
		(722,768)			(99,316)
		=====			=====

The notes on pages 8 to 15 form part of these accounts.

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts:-

(a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings.

(b) Depreciation and amortisation

Depreciation is provided on the straight line basis at rates estimated to write-off the cost or value of fixed assets, other than freehold land, over their anticipated useful lives:

Plant and machinery : Varying between 5% and 20%
per annum

Freehold buildings : 2½% per annum

(c) Stocks and work in progress

Stock and work in progress has been valued at the lower of cost and net realisable value. Cost is defined as follows:

Raw materials	- invoice price
Work in progress and finished goods	- cost of raw materials plus direct wages and appropriate overheads related to production.

(d) Deferred taxation

The policy followed in accounting for deferred taxation accords with Statement of Standard Accounting Practice No. 15 and provision is made for only those timing differences which may result in a taxation liability in the foreseeable future.

The full potential liability for deferred taxation is set out in Note 15.

(e) Turnover

Turnover of the company for the year is the net amount receivable by the company for goods supplied and rents, exclusive of value added tax.

(f) Group finance charge

As from 1 April 1977 the parent company, Lister & Co. plc, has undertaken to stand all interest charges on bank borrowings and to charge the company an amount equal to 1% above Barclays Bank plc base rate based on the total stocks together with trade debtors.

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS1. PRINCIPAL ACCOUNTING POLICIES (Continued)(g) Investment income

Investment income is shown including the tax credit applicable to United Kingdom shareholders.

(h) Accounting date

The accounts of the company are made up to the Saturday nearest to the 31 March.

(i) Leases and hire purchase agreements

Assets held under financial agreements that give rights approximating to ownership are treated as if they had been purchased outright at the present value of the total amount payable during the primary period of the agreements. The corresponding financial commitments are shown as creditors. The interest element of payments under these agreements and depreciation on the relevant assets are charged to the profit and loss account.

The rentals arising under operating lease agreements are charged to the profit and loss account over the terms of the leases.

2.

TURNOVER

The analysis of external turnover by geographical area is as follows:

	<u>1989</u> £	<u>1988</u> £
UK	7,512,064	9,177,978
Other European countries	<u>137,730</u>	<u>190,171</u>
	<u>7,649,794</u>	<u>9,368,149</u>

The sales to parent company and fellow subsidiaries during the year included above were £1,638,450 (1988: £1,909,901).

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS
(continued)3. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	<u>1989</u> <u>Number</u>	<u>1988</u> <u>Number</u>
Production	293	315
Distribution	9	9
Administration	<u>30</u>	<u>30</u>
	332	354
	===	===

The aggregate payroll costs of these persons were as follows:

	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
Wages	2,225,065	2,237,954
Social security costs	137,024	159,590
Other pension costs	<u>31,361</u>	<u>26,820</u>
	2,393,450	2,424,364
	=====	=====

4. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
On finance from group companies	<u>249,735</u>	<u>221,759</u>
	=====	=====

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging or crediting the following:

	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
Depreciation of tangible fixed assets:		
Owned assets	179,943	173,893
Leased assets	2,323	17,434
Directors' emoluments (see note 6):		
Remuneration as executives	126,044	115,823
Hire of plant and machinery	9,408	12,741
Auditors' remuneration and expenses	8,500	5,000
Finance charges payable on finance leases and hire purchase contracts	<u>16,741</u>	<u>5,139</u>
	=====	=====

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS
(continued)6. EMOLUMENTS OF DIRECTORS

Excluding pension contributions, the emoluments of the highest paid director were £32,174 (1988: £40,455); the emoluments of the other directors were within the following ranges:-

	<u>1989</u> <u>Number</u>	<u>1988</u> <u>Number</u>
£ 0 - £ 5,000	1	-
£ 5,001 - £ 10,000	-	1
£ 20,001 - £ 25,000	3	2
	===	===

7. TAXATION

	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
Group relief payable at 35%	-	(164,668)
Adjustment to previous year group relief at 35%	63,880	-
	63,880	(164,668)
	=====	=====

8. TANGIBLE FIXED ASSETS

	<u>Freehold</u> <u>Land and</u> <u>Buildings</u> <u>£</u>	<u>Plant and</u> <u>Machinery</u> <u>£</u>	<u>Total</u> <u>£</u>
(a) COST			
At 27 March 1988	627,706	3,201,535	3,829,241
Transfer from deferred creditor	-	322	322
Additions	16,560	624,285	640,845
Disposals	-	(115,255)	(115,255)
Transfers in	-	20,440	20,440
	=====	=====	=====
At 25 March 1989	644,266	3,731,327	4,375,593
DEPRECIATION			
At 27 March 1988	94,796	2,325,320	2,420,116
Charge for the year	12,367	169,899	182,266
Disposals	-	(109,775)	(109,775)
Transfers in	-	11,605	11,605
	=====	=====	=====
At 25 March 1989	107,163	2,397,049	2,504,212
NET BOOK VALUE			
At 25 March 1989	537,103	1,334,278	1,871,381
	=====	=====	=====
At 26 March 1988	532,910	876,215	1,409,125
	=====	=====	=====

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS
(continued)8. TANGIBLE FIXED ASSETS (continued)

	<u>Freehold land and Buildings</u> £	<u>Plant and Machinery</u> £	<u>Total</u> £
(b) COST COMPRISES:			
Cost	72,966	3,691,720	3,764,686
Professional valuation at 31 March 1979	571,300	-	571,300
Net book value	-	39,607	39,607
	<u>644,266</u>	<u>3,731,327</u>	<u>4,375,593</u>

The net book value of leased assets at 25 March 1989 was £420,965 (1988: £112,084).

(c) The amount of land and buildings (including those revalued at 31 March 1979) determined according to the historical cost accounting rules is as follows:

	<u>1989</u> £	<u>1988</u> £
Cost	286,695	270,135
Depreciation	(103,125)	(98,983)
Net book value	<u>183,570</u>	<u>171,152</u>

(d) Freehold industrial land included above at cost or valuation, not being subject to depreciation, amounts to £121,000.

(e) Contracts for capital expenditure at 25 March 1989 not provided for in the accounts totalled £110,000 (1988: £393,000). Expenditure which had been authorised by the Board at 25 March 1989 for which contracts had not been placed amounted to £5,000 (1988 : £48,000).

9. INVESTMENTS

The company has the following wholly owned subsidiaries incorporated in Great Britain.

Adelaide Engineering Co. Limited
The English Knitting Co. Limited (dormant company)

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS
(continued)

In addition the company holds 24.7% of the equity share capital of E Walters (Ludlow) Limited, an unquoted company incorporated in Great Britain. E Walters (Ludlow) Limited is not regarded as being within the definition of an associated company of this company and its results have not been treated as such in these accounts.

	<u>1989</u> £	<u>1988</u> £
Ordinary shares in subsidiaries at cost, less amounts written off	15,983	15,988
Less: loan and current accounts of dormant company	<u>(11,908)</u>	<u>(11,908)</u>
	4,080	4,080
Unquoted shares in E Walters (Ludlow) Limited	<u>30,000</u>	<u>30,000</u>
	<u>34,080</u>	<u>34,080</u>

At 25 March 1989 the directors valuation of the unquoted shareholdings in E Walters (Ludlow) Limited was £790,000 (1988: £680,000).

10.

STOCKS AND WORK IN PROGRESS

	<u>1989</u> £	<u>1988</u> £
Raw materials and consumables	511,412	436,262
Work in progress	175,212	173,636
Finished goods and goods for resale	<u>785,794</u>	<u>794,549</u>
	<u>1,472,418</u>	<u>1,404,447</u>

11.

DEBTORS

	<u>1989</u> £	<u>1988</u> £
Trade debtors	1,284,994	1,146,358
Amounts owed by group companies:		
Subsidiary company	483,015	613,544
Amounts owed by related companies	1,093	1,093
Other debtors	<u>6,021</u>	<u>6,173</u>
	<u>1,775,123</u>	<u>1,767,168</u>

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS
(continued)12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1989</u> £	<u>1988</u> £
Bank loans and overdrafts	377,364	-
Trade creditors	598,888	558,169
Amounts owed to group companies: Holding and fellow subsidiary companies	2,368,326	2,472,759
Obligations under finance leases	175,725	20,622
Other creditors including taxation and social security	51,457	235,393
Accruals and deferred income	132,714	203,932
Proposed dividend	<u>70,000</u>	<u>326,000</u>
	<u>3,774,474</u>	<u>3,816,875</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1989</u> £	<u>1988</u> £
Obligations under finance leases payable within 5 years	178,652	2,958

14. DEFERRED CREDITOR

	<u>1989</u> £
Regional Development Grants:	
Transferred from fixed assets	322
Released to profit and loss account	(51)
At 25 March 1989	<u>271</u>

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS
(continued)15. PROVISIONS FOR LIABILITIES AND CHARGES

No provision for deferred tax has been made as, in the opinion of the Directors, no liability is likely to arise in the foreseeable future. The potential liability for deferred taxation, calculated on the liability method at a corporation tax rate of 35% (1988: 35%), is as follows;

	<u>1989</u> £	<u>1988</u> £
Difference between accumulated depreciation and capital allowances	164,695	121,060
Revaluation of freehold properties	-	<u>75,000</u>
	<u>164,695</u>	<u>196,060</u>

16. SHARE CAPITAL

	<u>1989</u> £	<u>1988</u> £
Authorised shares of £1 each	<u>750,000</u>	<u>750,000</u>
Share capital allotted, called up and fully paid	<u>450,000</u>	<u>450,000</u>

17. RESERVES

	<u>Revaluation reserve</u> £	<u>Profit and loss account</u> £
At 27 March 1988	361,710	403,704
Transfer to profit and loss account: re depreciation	(8,172)	8,172
Retained loss for the financial year	-	<u>(15,809)</u>
At 25 March 1989	<u>353,538</u>	<u>396,067</u>

18. OPERATING LEASE COMMITMENTS

Annual commitment of leases which terminate:

	<u>Plant and machinery</u>	
	<u>1989</u> £	<u>1988</u> £
Within one year	505	1,197
2nd to 5th years	21,215	9,373
	<u>21,720</u>	<u>10,570</u>

19. ULTIMATE HOLDING COMPANY

The ultimate holding company is Lister & Co plc, which is incorporated in Great Britain.